

Statement of Scott A. Morris
Vice President and Senior Economist
The Committee for Economic Development

Thank you Mr. Chairman for the opportunity to appear before your Committee today. My name is Scott Morris. I am Vice President and Senior Economist at the Committee for Economic Development. CED is a nonprofit, nonpartisan research and policy organization comprised of over 200 business executives and academic leaders. I am here today to present some of the findings and recommendations of CED's report, *New Opportunities for Older Workers*. Included in my written testimony is the report's Executive Summary. The report itself is available on CED's website at www.ced.org or by contacting our offices.

CED's business trustees are all too familiar with a corporate culture that, in the words of Frank Doyle, the project's Chairman, "esteems the young tigers but has little regard for the old lions." Our trustees also know from their experience running large companies that older workers are a tremendous source of productive value. Yet corporate *and* government policies too often ignore these workers, or worse, raise barriers to their employment, making it difficult for them to keep the jobs they have or to find new jobs elsewhere. These barriers are not just bad for the many older Americans who want to work, they are bad for business and ultimately they are bad for the U.S. economy. As we describe in the report, "leveling the playing field" for older workers is not only desirable, but will be a necessity in light of the well-known demographic changes looming on the horizon. I encourage you to examine the report's findings on this critical point.

Today I would like to briefly mention a few of the barriers that older Americans face in the workplace and how, in CED's opinion, we might go about eliminating them. But first let me congratulate you and your colleagues in the Senate and the House on two important actions: repeal of the Social Security Earnings Limit and passage of the Work Incentives Improvement Act, which will allow Disability Insurance recipients to earn a paycheck without losing their DI benefits. Both pieces of legislation will make it easier for older Americans to remain in the workforce longer and both were highlighted in our report as important areas of reform. Taken together, these actions indicate substantial progress in ensuring that federal policy supports work rather than punishes it.

As to the barriers to work that remain:

- Pension and benefit policies are often a problem. Many pension plans continue to impose financial penalties on those who work past a so-called "normal retirement age", which may be as young as age 55. As a means of retaining valued older employees, CED urges businesses to pursue actuarial neutrality in their pension plans, so that the lifetime value of benefits does not decline after the plan's retirement eligibility age.
- We also urge policymakers to revisit ERISA provisions that limit employers' ability to offer flexible work arrangements to older workers. For example, current rules effectively treat all employees working more than 1,000 hours per year as "full-time" when it comes to benefit requirements. This rigid regulatory framework is not consistent with the growing demand for flexible work arrangements, particularly among workers at or near retirement age.
- CED calls on employers and government to step up their efforts to educate workers in the area of financial planning. Too many workers have not fully considered the financial implications of retiring with a third or more of their lives ahead of them. Workers approaching retirement have focused too much on financing their 60's, giving little thought to financial health in their 80's and even 90's. Employers and government need to do a better job of educating workers in this area.

- Finally, I'd like to briefly mention the issue of training, which CED believes is critical to a successful older workers strategy. If older workers are to continue to be productive, they must keep their skills up to date. We believe that workers themselves are primarily responsible for maintaining their own skills. However, we are also convinced that *access* to training is a problem for many older workers and in this regard employers bear some responsibility. Employers have long argued that training older employees is a bad investment because these workers are likely to retire in just a few years. But in today's economy, when the shelf life of training is often counted in months rather than years, this argument simply does not ring true. We urge employers to ensure that older employees are afforded the same access to training opportunities as their younger colleagues.

These are just a few of the areas in which CED has identified barriers to work for Older Americans. Our report addresses many other topics, including age discrimination, the role of phased retirement, and other aspects of federal policy that can play a role in promoting work. I encourage you to take a look at our recommendations in these areas as well.

Let me close by saying that one of the great accomplishments of a wealthy society like ours is to make retirement a possibility for its older citizens. But it should not be the only possibility. Older Americans who want to work should be given a fair chance to do so. CED urges businesses, policymakers, and workers to replace the culture of retirement with one of productive aging - a change that is, for each group, a matter of self-interest as much as it is in the national interest. Thank you.

Executive Summary of *New Opportunities for Older Workers*
A Statement of the Research & Policy Committee of
The Committee for Economic Development

Older workers offer tremendous value to American businesses and the economy. Unfortunately, they represent a largely *untapped* resource, since public and private workplace policies encourage older Americans to choose retirement instead of employment. These policies are relics from an era of labor surpluses and reflect a view of aging that is quickly becoming outdated. Rather than counting the days to retirement, many baby boomers are looking forward to working longer, or expect to continue to work out of economic necessity. Businesses and lawmakers should look beyond old stereotypes about aging and revamp workplace policies and practices to benefit from the growing number of older Americans who would like work.

CED believes that extending work lives will serve the national interest while benefiting workers and employers. The aging of America will present an unprecedented demographic shift with far-reaching economic consequences. Baby boomers' decisions about work and retirement will play an important part in either alleviating or exacerbating the strains on the economy that will result from these dramatic demographic changes. From a business perspective, one important strain will be an increasing scarcity of new workers. As the baby boomers begin to retire within a decade, fewer young adults will enter the workforce to replace them. Given this impending labor crunch, employers would be well served by efforts to encourage longer work lives.

New Opportunities for Older Workers brings together the most current data on demographic projections, employment and retirement trends, and surveys on workplace attitudes and practices affecting older workers. CED's findings indicate that the status quo, in which older workers are overlooked and underutilized, is no longer desirable *or* sustainable for businesses, workers, or the economy.

FINDINGS

Americans are living longer and retiring earlier than ever before. Since 1940, the life expectancy for 65-year old men has increased from 12 to 16 additional years. For women, the increase has been from 13 to 19 years. Longer, healthier lives have not, however, resulted in longer *working* lives. Today's average age of retirement is 62, compared with 65 only 30 years ago.

America as a nation is growing older. In just 30 years, 20 percent of the U.S. population will be 65 or older, compared with just 12 percent today. By 2025, 39 states will have the same or greater share of elderly as Florida, the "retirement state," has today.

The combination of more retirees and fewer workers will have significant economic consequences. In 1950, there were 7 working age persons for every elderly person in the United States. By 2030, when the bulk of baby boomers reaches retirement age, the ratio will dwindle to less than three-to-one. In addition to producing labor shortages, this demographic shift will squeeze both national saving and investment, as entitlement programs become more burdensome and retirees draw down their savings.

Current policies and practices, both public and private, create financial disincentives to continued employment for older Americans. For example, many private pensions penalize work after a certain age, frequently as low as 55. Similarly, some Social Security provisions, including earning limits for beneficiaries, discourage continued work.

Older Americans often face additional non-financial obstacles to work. These barriers include workplace discrimination and limited opportunities for professional development. The real or perceived lack of opportunities for advancement discourages older workers from updating their skills, seeking new employment, or continuing in current jobs.

More Americans will be willing and able to continue working later in life. Whether out of financial necessity or personal preference, more older Americans --and baby boomers in particular--indicate a willingness to continue to work. Many have not saved enough to maintain their existing lifestyles in retirement unless they continue to work. As our economy continues to shed physically demanding jobs, there are fewer physical impediments to work for older people. Further, there are no discernible differences between the intrinsic ability of most older workers and those of their younger colleagues to perform today's jobs.

Older workers represent a tremendous source of experienced human capital. Employers report that the judgment skills of older workers exceed those of younger employees and that they often demonstrate a greater flexibility in work arrangements. Surveys and tenure data show a higher degree of loyalty to employers among older workers than their younger counterparts. New employees who are older have higher retention rates than those of younger hires, making new skills training for them a sound but often overlooked investment.

RECOMMENDATIONS

Remove public disincentives for older Americans to continue working.

Eliminate the Social Security earnings test.

Increase Social Security's normal and early retirement ages to 70 and 65, respectively, over the next 30 years.

Eliminate the employer first-payer provision in Medicare.

Reform Social Security Disability Insurance (DI) to promote work by DI recipients while maintaining an adequate safety net of benefits.

Amend current federal laws to allow greater flexibility in hiring older workers for contingent and part-time work

Reform workplace policies and practices to "level the playing field" for older workers.

Reconsider private pension plans that penalize work by older employees and revise them to be more age-neutral.

Explore innovative ways to avoid career stagnation for long-tenure employees.

Consider greater use of "cafeteria"-style benefit packages to facilitate the hiring of older workers in flexible work arrangements.

Pursue phased retirement as an alternative to standard retirement policies.

Combat negative stereotypes.

Offer management-level training and employee workshops to eliminate age-related bias in the workplace and educate managers about the value of older workers.

Ensure that age bias plays no part in hiring, training, or retention decisions.

Promote opportunities for older workers to update their skills.

Ensure that older workers receive the same access to employer-provided training as their younger colleagues.

Encourage older workers to seek training to stay competitive in the increasingly technology-based economy.

Urge educational institutions to offer expanded job-training programs for the largely untapped market of older Americans seeking to update their skills.

Create recruitment strategies targeting older workers.

Partner with senior associations to advertise positions.

Supplement standard recruiting packages with materials designed for older workers.

CED believes that these recommendations can alleviate the looming economic problems of an aging America. But they must be implemented now, before the bulk of the baby boomers retire. Increasing the labor force participation of older Americans will provide a broader taxpayer base, enhance the lives of older Americans, and enable businesses to profit from the talent and resources of their older employees.